

## Message Text

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PAGE 01 ISLAMA 01402 081045Z

44

ACTION NEA-13

INFO OCT-01 ISO-00 AGR-20 CEA-02 CIAE-00 COME-00 DODE-00

EB-11 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06 NSAE-00

NSC-10 PA-04 RSC-01 AID-20 CIEP-02 SS-20 STR-08

TAR-02 TRSE-00 USIA-15 PRS-01 SPC-03 FEA-02 OMB-N01

SAM-01 PM-07 SCI-06 DRC-01 /183 W

----- 101380

R 080902Z FEB 74

FM AM\*MBASSY ISLAMABAD

TO SECSTATE WASHDC 3274

AMCONSUL KARACHI

AMCONSUL LAHORE

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E.O. 11652: N/A

TAGS: EIND, PK

SUBJ: FERTILIZER PRODUCTION: DAWOOD/HERCULES (D/H) & ESSO

1. WHEN ECON COUNS (E/C) CALLED ON PRIMIN'S SPECIAL ASST FOR AGR., MALIK KHUDA BAKSCH BUCHA, WHO NOW ALSO FILLING IN FOR ABSENT FEROZE QAISER, PM'S SPECIAL ASST FOR ECON AFFAIRS, BUCHA WAS FINISHING SOME DICTATION ON FERTILIZER MATTERS, INVOLVING ESSO AND D/H. E/C TOOK OCCASION PRIOR TO RAISING OTHER MATTERS TO REVIEW UPS AND DOWNS OF D/H DURING PAST YEAR AND MORE, BUCHA SHOWING HE QUITE FAMILIAR WITH PROBLEMS.

2. E/C SAID EAGAN HAD VERY RECENTLY TOLD HIM THAT RECENT INCREASE IN GAS PRICE WAS COSTING THEM ADDITIONAL RS. 7 MILLION P.A., HIGHER PRICES FOR BAGS WAS ADDING ANOTHER RS. 10 MILLION, AND FREIGHT RATE AND OTHER INCREASES WERE ADDING TO PROBLEM. ACCORDING TO EAGAN, D/H WOULD HAVE TO SEEK RS. 75/TON INCREASE IN GOP-AUTHORIZED FERTILIZER

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PAGE 02 ISLAMA 01402 081045Z

PRICES TO RESOLVE THIS COST/PRICE SQUEEZE.

3. BUCHA SAID HE AWARE OF PROBLEM AND CONFIDENT THAT SOMETHING COULD BE WORKED OUT. (E/C JUDGED BY HIS DICTATING THAT HE WAS HAVING PROBLEMS REGARDING MINISTRY FINANCE VIEWS).

4. BUCHA WENT ON TO DISCUSS PAKISTAN'S CRYING NEED FOR MORE FERTILIZER PRODUCTION. SAID HE FULLY AWARE ESSO AND DXH HAVE DONE FINE JOBS, AND OBSERVED FASTEST WAY TO INCREASE DOMESTIC PRODUCTION WOULD BE TO HAVE THESE TWO COMPANIES EXPAND THEIR FACILITIES.

5. E/C AGREED, BUT CAUTIONED THAT HEAD OFFICES BOTH COMPANIES LIKELY TO BE AT LEAST HESITANT. BOTH COMPANIES HAD STRUGGLED WITH GOVERNMENT PRICING AND OTHER POLICIES DURING INITIAL PRODUCTION YEARS, AND UNTIL RECENTLY HAD SHOWN LITTLE OR NO PROFIT. IN CASE OF ESSO, MATTER FURTHER COMPLICATED BY EXXON'S UNSATISFACTORY EXPERIENCES ELSEWHERE AND GENERAL POLICY OF GETTING OUT OF FERTILIZER. IN CASE OF D/H THERE

HAD BEEN ADDED ELEMENT OF PARTNERSHIP DIFFICULTIES. BUCHA SHOWED AWARENESS OF ALL THESE FACTORS, BUT SAID HE HOPED COMPANIES COULD BE INDUCED TO CONSIDER EXPANSION.

6. FOR KARACHI. BUCHA SAID HE NOT ACQUAINTED WITH GEORGE SWEENEY, ALTHOUGH RECALLING SELBY HARNEY. IF GEORGE SHOULD BECOME INTERESTED IN ISLAMABAD TALKS ON THIS GENERAL SUBJECT, SUGGEST THAT HE ADD BUCHA TO HIS POINTS OF CONTACT.

7. FOR LAHORE. BUCHA REFERRED TO PLANS AT ONE TIME FOR HIM TO JOIN D/H, AND SAID HE KNOWS JOHN EAGAN WELL. SUGGEST YOU MENTION TO JOHN ABOVE CONVERSATIONS AND INTEREST OF BUCHA IN D/H EXPANSION. DECON 6/30/74.  
BYROADE

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## Message Attributes

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